

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 PA-01 NRC-05
/144 W

-----112611 050039Z /65

R 050005Z APR 78
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 6910
INFO AMEMBASSY BUCHAREST
AMEMBASSY MOSCOW
AMEMBASSY ROME
AMEMBASSY TOKYO
AMCONSUL TORONTO POUCH

C O N F I D E N T I A L SECTION 01 OF 02 OTTAWA 01673

DEPT FOR EUR/CAN; OES/NET. PLEASE PASS DOE/SIEVERING;
DOE/NININGER. TORONTO FOR CANTWELL

E.O. 11652: GDS
TAGS: ENRG, CA
SUBJECT: CANADA MAY RESERVE URANIUM TO SUPPORT CANDU
SALES

REF: OTTAWA A-61

1. AN ARTICLE IN THE 4 APRIL 1978 TORONTO "GLOBE AND
MAIL" SPECULATES THAT CANADA MAY RESUME STOCKPILING OF
URANIUM TO ASSIST SMALL PRODUCERS AND TO PROMOTE CANDU
SALES. THE ARTICLE ALSO REPORTS THAT THE SOVIETS HAVE
EXPRESSED A FORMAL INTEREST IN BUYING 1000 OR MORE TONS OF
URANIUM. (COPIES OF ARTICLE BEING POUCHED TO DEPARTMENT
AND TO DOE.)

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2. SCICOUNS DISCUSSED ARTICLE WITH O.J.C. RUNNALLS OF
ENERGY, MINES AND RESOURCES, WHO IS AN EXPERT ON CANADIAN
URANIUM EXPORT POLICY. RUNNALLS STATED THERE IS SOME
TRUTH TO ARTICLE AND SOME SPECULATION ON THE PART OF THE
AUTHOR (JEFF CARRUTHERS).

3. FROM TIME TO TIME IN THE PAST CANADA HAS CONSIDERED

THE POSSIBILITY OF OFFERING AN ASSURED SUPPLY OF URANIUM AS PART OF A CANDU SALES PACKAGE. THIS HAS NOW REACHED THE STAGE OF "INTER-DEPARTMENTAL DISCUSSIONS", ACCORDING TO RUNNALLS, BECAUSE THERE IS CONSIDERABLE PRESSURE TO STIMULATE THE SALES OF CANDU REACTORS TO OTHER COUNTRIES.

4. JAPAN, ROMANIA, AND ITALY IN PARTICULAR HAVE INTEREST IN ACQUIRING CANDUS AND THE INTER-DEPARTMENTAL GROUP IS CONSIDERING THE POSSIBILITY OF TIEING IN AN ASSURED SUPPLY OF URANIUM TO THE SALE OF SUCH REACTORS. ONE POSSIBILITY IS TO RELATE THE URANIUM SUPPLY TO THE CANADIAN CONTENT OF THE NUCLEAR STEAM SUPPLY SYSTEM (NSS). AS EXAMPLE, IN THE CASE OF JAPAN THE STRONG DESIRE OF THE LATTER TO PROCURE URANIUM MIGHT BE USED: A) TO CAUSE JAPAN TO SELECT THE CANDU-TYPE OF REACTOR AND B) TO HAVE A SIGNIFICANT PORTION OF THE NSS MADE IN CANADA.

5. THE CANADIAN URANIUM PRODUCERS SEE THEIR FUTURE BUSINESS AS ABOUT 90 PERCENT FOREIGN AND 10 PERCENT DOMESTIC AND ALSO HAVE BEEN PUTTING SOME PRESSURE ON THE GOC TO RELAX ITS FOREIGN EXPORT POLICY WHICH NOW REQUIRES THEM TO STOCKPILE ABOUT 21.5 PERCENT OF THEIR URANIUM FOR DOMESTIC USE. THERE IS AN EXCEPTION, DESCRIBED IN THE REFERENCED AIRGRAM, IN THAT A PRODUCER WHOSE MINING OPERATIONS ARE WITHIN FIVE YEARS OF BEING EXHAUSTED AND WHO CANNOT SELL HIS URANIUM DOMESTICALLY

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CAN REQUEST "SPECIAL CONSIDERATION".

6. RUNNALLS IS OF THE OPINION THAT WITH THE INCREASING DEMAND FOR URANIUM WORLD-WIDE, (IN SPITE OF SLOW REACTOR SALES) AND WITH THE NEW DISCOVERIES BEING MADE IN CANADA, THERE MAY BE NO NEED FOR "EXCEPTIONS" OR FOR CHANGE IN THE PRESENT URANIUM EXPORT POLICY. (HE DOES NOT VIEW THE POSSIBLE TIE WITH REACTOR SALES AS REQUIRING A POLICY CHANGE.)

7. IF IT WERE DECIDED TO RETAIN MORE URANIUM TO ACCOMMODATE SUCH TIE-IN SALES, IT IS VISUALIZED THAT THE QUANTITY OF RESERVES REQUIRED TO BE RETAINED BY THE PRODUCER MIGHT BE RAISED FROM THE PRESENT AVERAGE OF ABOUT 21.5 PERCENT TO PERHAPS 21.9 PERCENT. IT IS ALSO ASSUMED THAT THESE ADDITIONAL RESERVES WOULD BE HELD IN THE GROUND AND NOT MINED AND "STOCKPILED".

8. ALTHOUGH THERE WAS NO DISCUSSION OF DETAILS, IT WAS CONFIRMED THAT THE U.S.S.R. HAS APPROACHED THE GOC ABOUT THE POSSIBILITY OF PURCHASING "MORE THAN 1000 TONS" OF URANIUM. THE RUSSIAN DELEGATION WAS GIVEN THE STANDARD

CANADIAN SAFEGUARDS PACKAGE, WHICH GOES WITH ALL FUTURE URANIUM SALES, AND HAVE TAKEN IT HOME TO "MULL OVER".

9. COMMENTS: IT IS INTERESTING TO NOTE THAT THE CONCEPT OF LINKING FIRM SUPPLIES OF URANIUM TO CANDU SALES HAS REAPPEARED AND PRESUMABLY IS NOW GETTING SERIOUS CONSIDERATION. IT COULD BE A RATHER SPORTY COURSE TO FOLLOW IF THE MAJOR FUTURE MARKET FOR URANIUM SALES WERE FOR ENRICHED URANIUM FUELED REACTORS, AND ESPECIALLY IF THE CANDU CUSTOMERS WERE TREATED PREFERENTIALLY FROM A PRICE STANDPOINT. ACCORDING TO RUNNALLS, THE PRICE FOR URANIUM WOULD DEPEND UPON THE "WORLD PRICE" AT THE TIME OF THE SALE, AND THAT THERE WOULD BE NO PREFERENTIAL TREATMENT.

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10. AS FAR AS THE U.S.S.R. IS CONCERNED, ITS APPROACH TO

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C O N F I D E N T I A L SECTION 02 OF 02 OTTAWA 01673

CANADA RAISES THE QUESTION OF HOW SELF-SUFFICIENT IT IS

WITH RESPECT TO URANIUM RESERVES. THERE ALSO IS CON-
SIDERABLE DOUBT AS TO WHETHER THE U.S.S.R. WOULD EVEN
CONSIDER ACCEPTING THE GOC SAFEGUARDS PACKAGE. DUEMLING

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